




Thomas J. Vilsack
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Lt. Governor

Michael L. Tramontina
Executive Director

MANAGEMENT BULLETIN #012

TO: Owners/Agents of IFA Section 8 Properties

FROM: Roger Brown, Director, Section 8 Contract Administration 

DATE: 16 August 2004

SUBJECT: Notice of Certain Operating Cost Adjustment Factors for 2005

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On 13 August 2004 HUD published in the Federal Register Docket No. FR-4728-N-04 Notice of Certain Operating Cost Adjustment Factors for 2005.

This notice establishes annual factors used in calculating rent adjustments under section 524 of MAHRA as amended by the Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act of 1999, and under LIHPRHA. These OCAFs are not effective until 11 February 2005.

A copy of the notice follows. The Notice may also be obtained directly from the Federal Register on its webpage located at http://www.access.gpo.gov/su_docs/fedreg/a040813c.html.

Please contact your IFA Asset Specialist or your HUD Project Manager with any questions about the implementation of these OCAFs.

100 East Grand Avenue
Suite 250
Des Moines, Iowa 50309

MAIN OFFICE

515.242.4990
800.432.7230

fax 515.242.4957

SECTION 8 OFFICE

515.242.0259
877.428.0634

fax 515.242.0217

TTY

515.242.4864

Under Secretary for Emergency Preparedness and Response, Department of Homeland Security, under Executive Order 12148, as amended, Theodore Monette, of FEMA is appointed to act as the Federal Coordinating Officer for this declared disaster.

I do hereby determine the following areas of the State of New York to have been affected adversely by this declared major disaster:

Allegany, Cattaraugus, Chautauqua, Delaware, Erie, Herkimer, Ontario, Saratoga, Schoharie, Steuben, Ulster, Washington, and Yates Counties for Public Assistance.
Allegany, Cattaraugus, Chautauqua, Delaware, Erie, Herkimer, Monroe, Oneida, Ontario, Saratoga, Schoharie, Steuben, Ulster, Washington, and Yates Counties in the State of New York are eligible to apply for assistance under the Hazard Mitigation Grant Program.

(The following Catalog of Federal Domestic Assistance Numbers (CFDA) are to be used for reporting and drawing funds: 97.030, Community Disaster Loans; 97.031, Cora Brown Fund Program; 97.032, Crisis Counseling; 97.033, Disaster Legal Services Program; 97.034, Disaster Unemployment Assistance (DUA); 97.046, Fire Management Assistance; 97.048, Individual and Household Housing; 97.049, Individual and Household Disaster Housing Operations; 97.050 Individual and Household Program-Other Needs; 97.036, Public Assistance Grants; 97.039, Hazard Mitigation Grant Program.)

Michael D. Brown,

Under Secretary, Emergency Preparedness and Response, Department of Homeland Security.

[FR Doc. 04-18507 Filed 8-12-04; 8:45 am]

BILLING CODE 9110-10-P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4901-N-33]

Federal Property Suitable as Facilities To Assist the Homeless

AGENCY: Office of the Assistant Secretary for Community Planning and Development, HUD.

ACTION: Notice.

SUMMARY: This Notice identifies unutilized, underutilized, excess, and surplus Federal property reviewed by HUD for suitability for possible use to assist the homeless.

DATES: Effective Date: August 13, 2004.

FOR FURTHER INFORMATION CONTACT: Kathy Burruss, Department of Housing and Urban Development, Room 7262, 451 Seventh Street, SW., Washington, DC 20410; telephone (202) 708-1234; TTY number for the hearing- and

speech-impaired (202) 708-2565, (these telephone numbers are not toll-free), or call the toll-free Title V information line at 1-800-927-7588.

SUPPLEMENTARY INFORMATION: In accordance with the December 12, 1988, court order in *National Coalition for the Homeless v. Veterans Administration*, No. 88-2503-OG (D.D.C.), HUD publishes a Notice, on a weekly basis, identifying unutilized, underutilized, excess and surplus Federal buildings and real property that HUD has reviewed for suitability for use to assist the homeless. Today's notice is for the purpose of announcing that no additional properties have been determined suitable or unsuitable this week.

Dated: August 5, 2004.

Mark R. Johnston,

Director, Office of Special Needs Assistance Programs.

[FR Doc. 04-18302 Filed 8-12-04; 8:45 am]

BILLING CODE 4210-29-M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4728-N-04]

Notice of Certain Operating Cost Adjustment Factors for 2005

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Publication of the 2005 Operating Cost Adjustment Factors (OCAFs) for Section 8 rent adjustments at contract renewal under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), as amended by the Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act of 1999, and under the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) Projects assisted with Section 8 Housing Assistance Payments.

SUMMARY: This notice establishes annual factors used in calculating rent adjustments under section 524 of MAHRA as amended by the Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act of 1999, and under LIHPRHA.

EFFECTIVE DATE: February 11, 2005.

FOR FURTHER INFORMATION CONTACT: Regina Aleksiewicz, Housing Project Manager, Office of Housing Assistance and Grant Administration, Department of Housing and Urban Development, Office of Multifamily Housing, 451 Seventh Street, SW., Washington, DC 20410-8000; telephone (202) 708-3000;

extension 2600 (This is not a toll-free number). Hearing- or speech-impaired individuals may access this number via TTY by calling the toll-free Federal Information Relay Service at 800-877-8339.

SUPPLEMENTARY INFORMATION:

I. Operating Cost Adjustment Factors (OCAFs)

Section 514(e)(2) of the FY 1998 HUD Appropriations Act, requires HUD to establish guidelines for rent adjustments based on an operating cost adjustment factor (OCAF). The legislation requiring HUD to establish OCAFs for LIHPRHA projects and projects with contract renewals under section 524 of MAHRA is similar in wording and intent. HUD has therefore developed a single factor to be applied uniformly to all projects utilizing OCAFs as the method by which rents are adjusted.

Additionally, section 524 of the Act gives HUD broad discretion in setting OCAFs—referring simply to “operating cost factors established by the Secretary.” The sole exception to this grant of authority is a specific requirement that application of an OCAF shall not result in a negative rent adjustment. OCAFs are to be applied uniformly to all projects utilizing OCAFs as the method by which rents are adjusted upon expiration of the term of the contract. OCAFs are applied to project contract rent less debt service.

An analysis of cost data for FHA-insured projects showed that their operating expenses could be grouped into nine categories: wages, employee benefits, property taxes, insurance, supplies and equipment, fuel oil, electricity, natural gas, and water and sewer. Based on an analysis of these data, HUD derived estimates of the percentage of routine operating costs that were attributable to each of these nine expense categories. Data for projects with unusually high or low expenses due to unusual circumstances were deleted from analysis.

States are the lowest level of geographical aggregation at which there are enough projects to permit statistical analysis. Additionally, no data were available for the Western Pacific Islands. Data for Hawaii was therefore used to generate OCAFs for these areas.

The best current measures of cost changes for the nine cost categories were selected. The only categories for which current data are available at the state level are for fuel oil, electricity, and natural gas. Current price change indices for the other six categories are only available at the national level. The Department had the choice of using

dated state-level data or relatively current national data. It opted to use national data rather than data that would be two or more years older (e.g., the most current local wage data are for 2002). The data sources for the nine cost indicators selected were as follows:

Labor Costs—3/03 to 3/04 Bureau of Labor Statistics (BLS), Employment Cost Index, Private Sector Wages and Salaries Component at the National Level.

Employment Benefit Costs—3/03 to 3/04 BLS Employment Cost Index, Employee Benefits at the National Level.

Property Taxes—3/03 to 3/04 BLS Consumer Price Index, All Items Index.

Goods, Supplies, Equipment—3/03 to 3/04 BLS Producer Price Index, Finished Goods Less Food and Energy.

Insurance—3/03 to 3/04 BLS Consumer Price Index, Tenant and Household Residential Insurance Index.

Fuel Oil—Energy Information Agency, consumption-weighted 2002 to 2003 year-end annual average state prices for #2 distillate residential fuel oil (U.S. average change was used for states with too little fuel oil consumption to have values).

Electricity—Energy Information Agency, consumption-weighted 2002 to 2003 year-end annual average residential electric prices per Kilowatt-hour.

Natural Gas—Energy Information Agency, consumption-weighted 2002 to 2003 year-end annual average natural gas prices.

Water and Sewer—3/03 to 3/04 BLS Consumer Price Index Detailed Report.

The sum of the nine cost components equals 100 percent of operating costs for purposes of OCAF calculations. To calculate the OCAFs, the selected inflation factors are multiplied by the relevant state-level operating cost percentages derived from the previously referenced analysis of FHA insured projects. For instance, if wages in Virginia comprised 50 percent of total operating cost expenses and wages increased by 4 percent from June 2003 to June 2004, the wage increase component of the Virginia OCAF for 2005 would be 2.0 percent ($4\% \times 50\%$). This 2.0 percent would then be added to the increases for the other eight expense categories to calculate the 2005 OCAF for Virginia. These types of calculations were made for each state for each of the nine cost components, and are included as the Appendix to this notice.

II. MAHRA and LIHPHRA OCAF Procedures

MAHRA (Title V of Pub. L. 105-65, approved October 7, 1997; 42 U.S.C. 1437f note) as amended by the

Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act of 1999, created the Mark-to-Market Program to reduce the cost of federal housing assistance, enhance HUD's administration of such assistance, and ensure the continued affordability of units in certain multifamily housing projects. Section 524 of MAHRA authorizes renewal of Section 8 project-based assistance contracts for projects without Restructuring Plans under the Mark-to-Market Program, including renewals that are not eligible for Plans and those for which the owner does not request Plans. Renewals must be at rents not exceeding comparable market rents except for certain projects. For Section 8 Moderate Rehabilitation projects, other than single room occupancy projects (SROs) under the Stewart B. McKinney Homeless Assistance Act (McKinney Act, 42 U.S.C. 11301 *et seq.*), that are eligible for renewal under section 524(b)(3) of MAHRA, the renewal rents are required to be set at the lesser of: (1) The existing rents under the expiring contract, as adjusted by the OCAF; (2) fair market rents (less any amounts allowed for tenant-purchased utilities); or (3) comparable market rents for the market area.

LIHPHRA (see, in particular, section 222(a)(2)(G)(i) of LIHPHRA, 12 U.S.C. 4112(a)(2)(G)(i) and the regulations at 24 CFR 248.145(a)(9)(i)) requires that future rent adjustments for LIHPHRA projects be made by applying an annual factor to be determined by the Secretary to the portion of project rent attributable to operating expenses for the project and, where the owner is a priority purchaser, to the portion of project rent attributable to project oversight costs.

III. Findings and Certifications

Environmental Impact

This issuance sets forth rate determinations and related external administrative requirements and procedures that do not constitute a development decision affecting the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Catalog of Federal Domestic Assistance Number

The Catalog of Federal Domestic Assistance Number for this program is 14.187.

Dated: August 3, 2004.

John C. Weicher,

Assistant Secretary for Housing—Federal Housing Commissioner.

OPERATING COST ADJUSTMENT FACTORS FOR 2005

	Percent
Alabama	2.6
Alaska	4.1
Arizona	2.0
Arkansas	2.9
California	2.7
Colorado	3.5
Connecticut	4.3
Delaware	2.5
Dist. of Columbia	3.3
Florida	3.1
Georgia	3.1
Hawaii	3.2
Idaho	1.9
Illinois	3.8
Indiana	3.0
Iowa	3.7
Kansas	3.3
Kentucky	3.2
Louisiana	3.9
Maine	3.6
Maryland	2.9
Massachusetts	4.0
Michigan	3.2
Minnesota	3.9
Mississippi	2.8
Missouri	2.8
Montana	4.5
Nebraska	3.1
Nevada	1.9
New Hampshire	3.5
New Jersey	3.7
New Mexico	2.7
New York	3.7
N. Carolina	2.4
N. Dakota	3.6
Ohio	3.0
Oklahoma	3.6
Oregon	2.2
Pennsylvania	2.8
Rhode Island	3.7
S. Carolina	2.6
S. Dakota	3.8
Tennessee	2.6
Texas	4.5
Utah	2.6
Vermont	2.5
Virginia	3.1
Washington	2.4
W. Virginia	2.3
Wisconsin	3.3
Wyoming	3.3
Pacific Islands	3.4
Puerto Rico	2.6
Virgin Islands	2.7
U.S. Average	3.3

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